

MONTHLY REVENUE REPORT

June 2004

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.51 billion in June. Excluding the State education property tax, due to the new payment schedule in place this year, June tax collections were down 2.0% from last year's level. While this marks the first time in five months that revenue has fallen below the year-ago level, the decline was expected due in part to noneconomic factors. Taxes that experienced a decline in June from last year's level include the income, tobacco, single business, and insurance taxes. These losses were offset in part by revenue gains in the sales, use, real estate transfer, estate, casino gaming, and oil and gas severance taxes. Despite the decline in June, fiscal year-to-date tax collections are up 0.9% (excluding the State education property tax), and tax collections appear to be on track with the May 2004 consensus estimates.

Net income tax revenue (gross collections less refunds) totaled \$544 million in June, representing a 6.8% decline from the year-ago level. Gross income tax collections (withholding, quarterly, and annual payments) were down 2.6%. Withholding payments were down 6.0%, but quarterly and annual payments combined were up 12.5%. Making up for a slowdown in income tax refunds sent out in May, refunds paid in June topped last year's level by over \$22 million or 31.2%. Despite this increase in June, a backlog in refunds persists, so refunds are expected to continue to remain above the year-ago level for the next few months. So far in fiscal year 2003-04, net income tax collections are up 2.3%; however, much of this gain is attributable to the slower processing of income tax refunds.

Sales tax collections totaled \$625 million in June, which was up 4.4%. This relatively strong rate of growth marks only the second time in the past seven months that sales tax collections have topped the year-ago level. A 16.6% decline in sales tax collections from motor vehicle transactions was more than offset by a very strong 8.6% increase in sales tax collections from all other taxable retail sales. On a fiscal year-to-date basis, sales tax collections are up a slight 0.1% from last year's level.

Use tax collections totaled \$122 million in June, representing a 3.7% increase. Use tax collections, which reflect tax payments for such transactions as hotel and motel room charges, telephone charges, used vehicle sales between individuals, vehicle leases, and items purchased out-of-state, have been relatively strong in FY 2003-04. The increase in June marks the sixth time in the past eight months that use tax collections have topped the year-ago level and, so far this fiscal year, use tax collections are up 6.1%.

Single business tax collections totaled \$84 million in June, which was down 22.2% from last year's level. Single business tax collections have now declined for three consecutive months. This decline is probably due in part to increased business investment in new equipment, which reduces single business tax liabilities due to the tax credit for new equipment expenditures. Recent increases in employment, which are boosting total compensation paid to workers, are not yet reflected in quarterly tax payments, but should provide a boost to single business tax collections in coming months. On a fiscal year-to-date basis, single business tax collections are down 4.7%.

Among the other major taxes, real estate transfer tax revenue increased 10.8% in June to \$24 million; estate tax collections totaled \$9 million, which topped last year by 123.1%; casino wagering tax revenue was up 4.8% to \$9 million; and oil and gas severance tax collections increased 45.0% to \$6 million. Tobacco tax revenue declined 2.5% in June to \$76 million and State education property tax revenue was down 33.4% to \$20 million.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for June 2004, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revised revenue estimates for FY 2003-04, which were adopted at the May 2004 Consensus Revenue Estimating Conference.

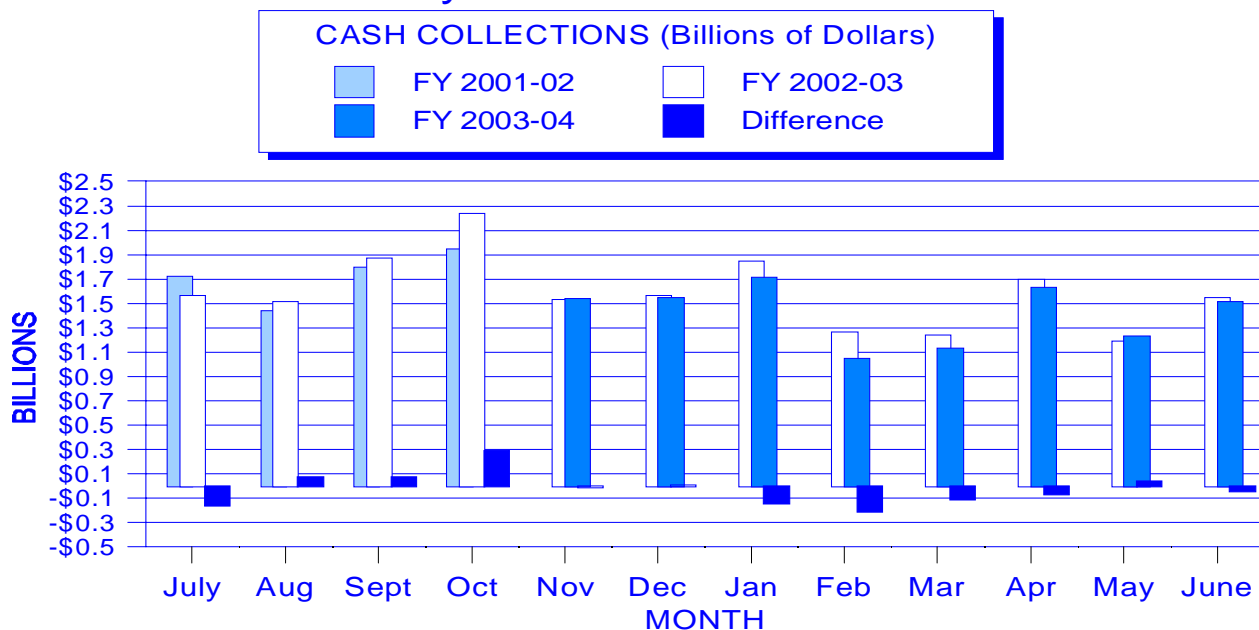
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MICHIGAN REVENUE UPDATE
JUNE 2004
(dollars in millions)

Type of Revenue	June Collections		FY 2003-04 to Date ²⁾		FY 2003-04 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2002-03
Gross Income Tax	639.4	(2.6)	5,178.3	1.1	\$7,502.5	1.9
Refunds	(95.1)	31.2	(1,400.2)	(2.2)	(\$1,640.9)	5.8
Net Income Tax	544.3	(6.8)	3,778.1	2.3	\$5,861.6	0.9
Sales Tax	625.2	4.4	4,198.7	0.1	6,500.7	1.2
Motor Vehicles	84.6	(16.6)	582.9	(12.2)	---	---
All Other Sales Tax	540.6	8.6	3,615.8	2.4	---	---
Use Tax	121.5	3.7	858.1	6.1	1,282.5	4.3
Tobacco Taxes	75.5	(2.5)	566.7	(1.7)	876.8	(1.6)
Single Business Tax	83.5	(22.2)	1,134.2	(4.7)	1,823.7	(1.0)
Insurance Tax	(3.9)	---	148.5	1.3	247.0	6.9
State Education Property Tax	20.1	(33.4)	313.3	(66.5)	1,745.2	(18.0)
Real Estate Transfer Tax	23.6	10.8	201.5	23.2	297.7	8.1
Estate/Inheritance Tax	8.7	123.1	60.2	(14.1)	65.0	(34.1)
Casino Wagering Tax	8.8	4.8	64.7	6.4	98.5	8.4
Oil & Gas Severance Tax	5.7	45.0	29.2	(19.1)	56.0	16.9
Total	\$1,513.0	(2.6)	\$11,353.2	(4.4)	\$18,854.7	(1.1)
Total Excluding State Education Tax	\$1,492.9	(2.0)	\$11,039.9	0.9	\$17,109.5	1.0
Addendum:						
Gross Lottery Sales ⁴⁾	\$165.7	19.8	\$1,469.7	15.5	\$1,865.9	10.9
Net to School Aid Fund ⁴⁾	54.5	14.4	485.6	8.1	637.0	8.7

- 1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2003-04 year-to-date collections begin with November 2003 collections to reflect accrual accounting.
3) Revenue estimates adopted at the May 18, 2004, Consensus Revenue Estimating Conference.
4) Lottery revenue is not accrued, so FY 2003-04 lottery revenue will include October 2003 to September 2004.

Actual Revenue Collections for Major State Taxes*
July 2002 to June 2004



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.